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# The Wool Payment Program

**Agricultural Stabilization and  
Conservation Service  
U. S. Department of Agriculture**

The wool program makes incentive payments on sales of shorn wool to encourage production.

The United States does not produce nearly as much wool as it uses, and Congress set the policy of encouraging production in the National Wool Act of 1954. The Congress based this policy on the fact that wool is important in the U. S. economy and in our national security.

The total amount of payments under the Act is limited by the Act to 70 percent of the duties collected on imports of wool and wool manufactures.

## HOW PROGRAM WORKS

An incentive price for shorn wool is announced by the Department of Agriculture in advance of the marketing year. Then the producer sells his wool in the usual market channels.

At the end of the marketing year, the national average of the prices received by all growers is used to determine the percentage rate required to bring the national average of the prices received in the free market up to the incentive level previously announced.

This percentage is applied to each grower's net proceeds from his sales of shorn wool during the year to arrive at the amount of his incentive payment for the year.

## HOW PAYMENTS ARE MADE

Assume that an incentive price of 62 cents has been announced and that shorn wool prices actually averaged 50 cents.

If a uniform flat payment of the difference were made, each producer would receive an additional 12 cents a pound over his sales return.

However, the 12 cents is converted into a percentage of 50 cents as the basis of payment, and each eligible producer receives an incentive payment equal to 24 percent of his individual sales returns for shorn wool.

### *Example A*

Let's say that you sell 1,000 pounds of wool for 50 cents a pound. From the buyer you receive \$500 and from the Department of Agriculture you get 24 percent more, or \$120, making a total return of \$620.

### *Example B*

But suppose that you sell for 70 cents a pound. The buyer pays you \$700 for your 1,000 pounds and the Department will pay you 24 percent more, or \$168, making a total return of \$868.

### *Example C*

However, suppose your 1,000 pounds of wool sells for only 30 cents a pound. From the buyer you receive \$300 and from the Department of Agriculture you get 24 percent more, or \$72, making a total return of only \$372.

## INCENTIVE FOR QUALITY

As you can see from these examples, the percentage method of making wool payments automatically adjusts for such factors as grade, quality and preparation. It encourages producers to improve their wool and to get the best price possible in the market place. The higher the market price an individual producer actually obtains for his wool, the greater his incentive payment.

## **INDUSTRYWIDE OBJECTIVE**

Early in 1964, an Industrywide Lamb and Wool Planning Committee recommended practices for improving the quality of the domestic wool clip.

The industrywide objective is to improve the preparation of the domestic wool clip to provide users of domestic wools a raw material that is easy for textile mills to use. A poor clip requires extra work and unnecessary handling in the mill and does not compete well with man-made fibers and imported wools.

## **CAREFUL PREPARATION IMPORTANT**

As developed by the industrywide committee, the program emphasizes the importance to both the grower and the industry of proper shearing and tying techniques; eliminating unscourable branding fluids, black fibers, tar, and chemical stain; avoiding jute and other extraneous contamination; separate packaging of tags, crutchings, face and hock wools; and improvement in the individual wool package.

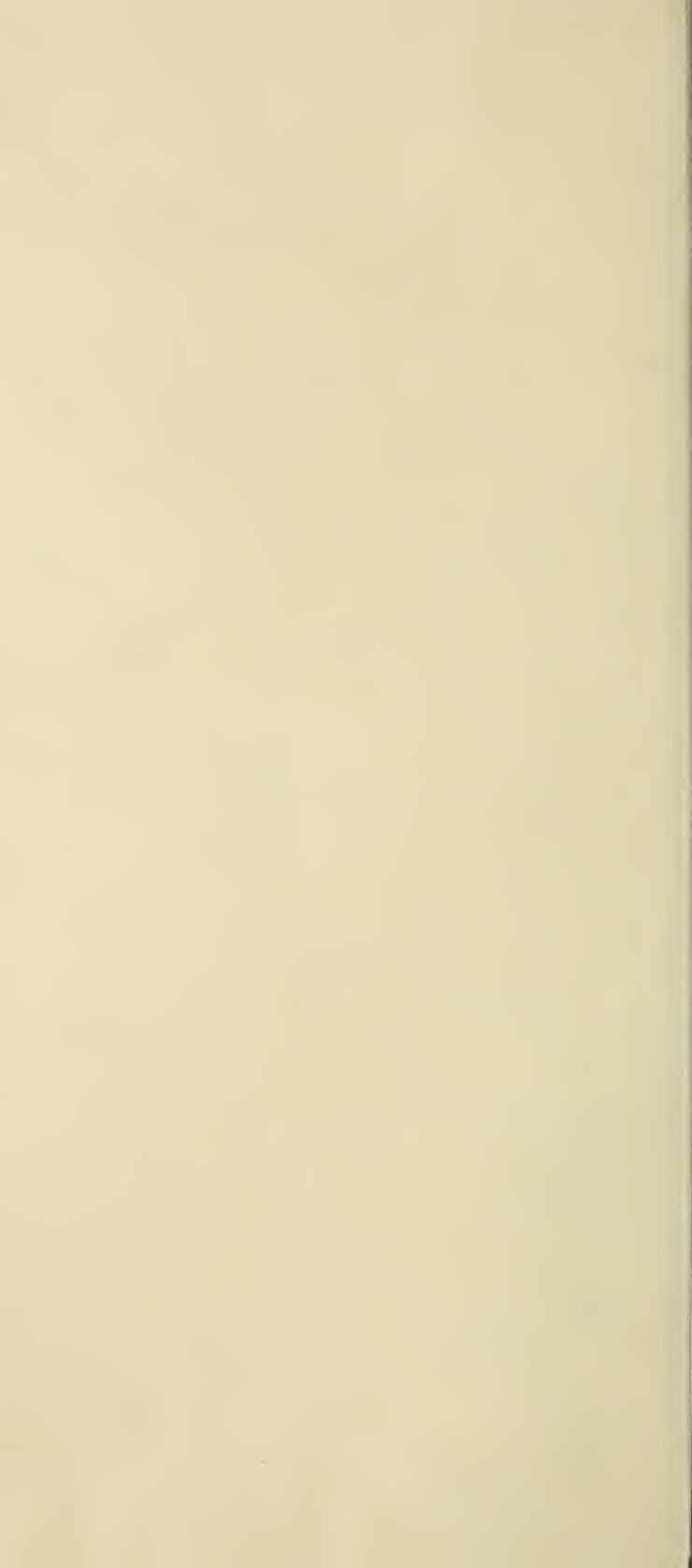
Your county extension agent, marketing agency, or your grower's association has details on preparing wool to attract the best possible price.

## **PAYMENTS ON UNSHORN LAMBS**

Support of pulled wool is provided to maintain normal marketing practices and avoid unusual shearing of lambs prior to marketing just to obtain a payment on shorn wool. This is handled by making payments on sales of unshorn lambs.

Rate of payment for unshorn lambs is announced at the same time as that for shorn wool. The rate is a fixed amount per hundredweight to reflect, on the average, the approximate weight of wool on the animals at the time of marketing. This average for the year is around five pounds per hundredweight of live animal.

Wool on lambs sold for slaughter is coarser and of shorter staple, on the average, than the U. S. shorn wool clip—hence pulled wool has less value per pound.



Here is an example of how the rate is calculated.

Shorn wool incentive price:	62¢
National average received by producer:	50¢
Deficit:	12¢
80% of deficit (to allow for	X 80%
lower grade & staple) :	9.6¢
Wool (greasy shorn basis)	
per cwt. of lamb:	X 5 lbs.
Rate of payment (per cwt.) :	48¢

## ADJUSTMENT FOR PURCHASED LAMBS

In the case of purchased lambs, the original producer and later feeder or breeder owners share in the total lamb payment according to the weight gained by the lambs while owned by each.

This is handled by making a downward adjustment in the payment to a producer if his sale of shorn wool or unshorn lambs includes lambs or wool from lambs that he purchased unshorn. This adjustment in payment to a later owner is designed to eliminate duplication of the total amounts paid.

If the applicant shears the lambs or resells them unshorn, the downward adjustment in his payment is, in effect, the amount due the previous owner.

## ELIGIBILITY FOR PAYMENTS

An applicant is eligible for payment if he owned for at least 30 days the sheep and lambs from which the wool was shorn or the unshorn lambs sold.

## MARKETING YEAR

Beginning in 1964, the marketing year is on a calendar year basis. January 31 is the final date for applications.

The national average of the prices received by producers for shorn wool during the calendar year will be calculated and the payment rates determined in March. The ASCS offices begin making payments shortly after April 1.

## RECORDS NEEDED

Sales documents are the basis for payments under the program. The producer must support his application for payment on shorn wool with an account or a bill of sale showing:

- Name and address of seller.
- Date of sale.
- Net weight sold.
- Gross sales proceeds.
- Marketing deductions.
- Net sales proceeds.
- Other deductions, if any.
- Amount paid the grower.
- Name and address of the buyer or marketing agency.
- Signature of person issuing document.

On unshorn lambs, an application for payment must be supported by an account or bill of sale showing:

- Name and address of seller.
- Date of sale.
- Number of unshorn lambs sold.
- Liveweight of unshorn lambs sold.
- Name and address of buyer or marketing agency.
- Signature of person or firm issuing the document.

Producers must keep records of all their sales of wool and lambs and purchases of lambs for a period of three years following the end of the marketing year.

## MOHAIR

A mohair payment program, also authorized by the National Wool Act, is handled in the same manner as that outlined for shorn wool. However, except for the 1962 marketing year, the national average price received by producers for any given marketing year has been above the supported price and payments on mohair have not been required.

## SELF-HELP FEATURE OF PROGRAM

The National Wool Act authorizes growers to organize and conduct advertising and sales promotion activities, financed by deductions from their payments.



Extensive programs of advertising and sales promotion for both lamb and wool are being carried on by the American Sheep Producers, Inc., established by wool growers and grower organizations for this purpose. Their activities are designed to improve demand for the industry's products in the free market.

## **ASCS OFFICE HAS DETAILS**

Your Agricultural Stabilization and Conservation Service county office can give you complete details on the program. The office will also help you fill out your application for payment from the information on your sales records.

